

The Northern Ohio Traction & Light Company

ANNUAL REPORT



FOR THE YEAR ENDED
DECEMBER 31, 1921

THE NORTHERN OHIO TRACTION
& LIGHT COMPANY

Report to the Stockholders

FOR THE YEAR ENDED
DECEMBER 31, 1921

DIRECTORS

A. C. BLINN	Akron, Ohio
E. W. CLARK, 3RD	Philadelphia, Pa.
B. C. COBB	New York, N. Y.
CHARLES CURRIE	Cleveland, Ohio
T. H. HOGSETT	Cleveland, Ohio
T. A. KENNEY	New York, N. Y.
N. O. MATHER	Akron, Ohio
E. W. MOORE	Cleveland, Ohio
J. R. NUTT	Cleveland, Ohio
J. C. WEADOCK	New York, N. Y.
J. P. WITT	Cleveland, Ohio

OFFICERS

B. C. COBB	<i>President</i>
NEW YORK, N. Y.	
A. C. BLINN	<i>Vice-Pres. and Gen. Mgr.</i>
AKRON, OHIO	
T. A. KENNEY	<i>Vice-President</i>
NEW YORK, N. Y.	
J. C. WEADOCK	<i>Vice-President</i>
NEW YORK, N. Y.	
H. G. KESSLER	<i>General Auditor</i>
NEW YORK, N. Y.	
CHAS. H. LAHR	<i>Secretary</i>
AKRON, OHIO	
JAS. T. SWEENEY	<i>Treasurer</i>
AKRON, OHIO	
E. E. NELSON	<i>Asst. Sec'y and Asst. Treas.</i>
NEW YORK, N. Y.	
C. WIGAND	<i>Asst. Sec'y and Asst. Treas.</i>
NEW YORK, N. Y.	
G. B. DOBBIN	<i>Comptroller</i>
AKRON, OHIO	

TRANSFER AGENTS

Office of Company, Akron, Ohio
Union Trust Company, Cleveland, Ohio

REGISTRARS

Central Savings & Trust Company, Akron, Ohio
Cleveland Trust Company, Cleveland, Ohio

GENERAL OFFICE

AKRON, OHIO

OFFICE OF
THE NORTHERN OHIO TRACTION & LIGHT COMPANY



AKRON, OHIO.
April 10, 1922.

To the Stockholders:

The Board of Directors submits the following report covering the operation of your properties for the year ended December 31, 1921, together with comparative statement of income and expenses for the two preceding years:

GROSS EARNINGS:	1921	1920	1919
Railway Department	\$5,376,818.82	\$ 7,280,396.04	\$6,133,442.29
Electric Department	3,214,476.44	3,629,234.20	3,094,397.30
TOTAL	\$8,591,295.26	\$10,909,630.24	\$9,227,839.59
OPERATING EXPENSES AND TAXES:			
Operating Expenses	\$5,941,701.86	\$ 7,894,648.55	\$6,178,515.01
Taxes	544,250.00	636,000.00	499,610.00
TOTAL	\$6,485,951.86	\$ 8,530,648.55	\$6,678,125.01
Gross Income	\$2,105,343.40	\$ 2,378,981.69	\$2,549,714.58
Income Charges	1,325,673.21	1,027,639.14	893,825.51
Net Income Available for Dividends and Depreciation	\$ 779,670.19	\$ 1,351,342.55	\$1,655,889.07
Dividends on Preferred Stock	336,892.57	327,073.50	318,720.00
BALANCE	\$ 442,777.62	\$ 1,024,269.05	\$1,337,169.07
Ratio of Operating Expenses to Gross Earnings	69.16%	72.36%	66.96%
Ratio of Operating Expenses and Taxes to Gross Earnings	75.49%	78.19%	72.37%

SERVICE RENDERED

Service rendered and volume of business done by both the Railway and Electric Departments was less than in the preceding year due to the general business depression which resulted in reduced operations by many industrial plants in the communities served by your Company. The Electric Department, however, added 1,665 customers, making total number connected of 40,103 as of December 31, 1921.

Comparative figures showing service rendered over a period of years by the various departments are as follows:

Calendar Years	Revenue City Systems	Passengers Interurban System	Electric Sales in K. W. H.	Electric Customers
1921	47,799,437	16,820,442	102,681,834	40,103
1920	68,903,885	20,876,115	148,081,253	38,438
1919	61,289,852	17,755,171	138,679,216	32,007
1918	45,217,915	16,835,927	113,716,277	24,990
1917	46,269,777	18,002,359	110,028,494	22,072

TRACK MILEAGE

Miles of Road Operated	172.09
Miles of Single Track Operated . . .	244.60

ADDITIONS AND IMPROVEMENTS

During the year your Company spent \$2,045,662 for additions and improvements to its property. These improvements include—in the Railway Department the purchase of 111 City and Interurban cars which had been contracted for during the previous year and operated under lease; the laying of 7,107 feet of new track and the replacement of 10,024 feet of old track with rail of heavier weight; and the laying of 6,127 feet of yard and storage track at the East Akron inspection shops; in the Electric Department the construction of additional pole and wire lines; the purchase of necessary meters and transformers for serving new customers; and the cost of installing additional transforming apparatus in the Brittain substation. The installation of an additional 1,000 KW rotary converter in the Brittain substation was completed and the new unit put in service. In addition to this 712 street lamps were added to the Akron City installation.

ELECTRIC DEPARTMENT

Revenue from sales of electric light and power in 1921 was more than five times as great as in 1914 and contributed approximately 76% of the total net earnings of your Company.

It will interest new stockholders who are not familiar with this phase of their Company's activities, that its physical properties include two generating stations with a combined capacity in excess of 92,000 horsepower, 90,000 of which is located in the Gorge Steam Plant adjacent to Akron, and 2,000 in the Hydraulic Station on the Cuyahoga River about a mile down stream from the Steam Station. Your Company also has an advantageous long term contract for the purchase of additional power from an outside source with large generating facilities practically at the mouth of bituminous coal mines.

Electricity is distributed through your Company's 38 substations over 512 circuit miles of transmission and distribution lines to more than 40,000 customers and to your Railway Lines over 489 miles of power conductors. In addition to its business in Akron, your Company sells electricity in several surrounding communities, thus serving an aggregate population estimated to exceed 250,000.

FINANCIAL

At a special meeting of stockholders held on May 16, 1921, the Articles of Incorporation of your Company were amended to provide for reclassification of the preferred stock so that amounts thereof could be issued to bear dividends

at the rate of 7% as well as 6%. Both issues of preferred stock rank equally except with respect to the dividend rate. This reclassification was made on account of the desire of the management to offer your Company's customers and other residents of the communities served an opportunity to acquire a financial interest in the properties with an annual rate of return more commensurate with the then prevailing investment conditions.

Holders of the 6% preferred stock were offered the privilege of exchanging 2 shares of such stock for an equal number of shares of 7% preferred stock when accompanied by subscription for an additional share of 7% preferred stock at \$95.00 per share, or to exchange their 6% stock, share for share, for the 7% stock upon payment of \$10.00 per share. This conversion privilege expired July 1, 1921, and immediately thereafter the management started the sale of unissued 7% preferred stock to customers and other residents of the communities served at \$95.00 a share for cash or on convenient monthly payment terms.

Up to July 1, 1921, when the conversion privilege expired, \$202,100 par amount of 7% preferred stock had been subscribed for at \$95.00 per share by 6% preferred stockholders and \$740,000 par amount of 6% preferred stock had been exchanged for a like par amount of 7% preferred stock. Since July 1st and up to the close of the year, 2,005 individuals purchased the new 7% preferred stock in the par amount of \$319,900.

During the past few years because of the financial conditions prevailing, your Company was unable to fully or permanently finance the necessary extensions, additions and improvements required to be made, and because of this fact its short-term floating debt continually increased. In order to place your Company in a strong financial condition, the management in March, 1922, arranged for the sale of an issue of General and Refunding Mortgage 6% Bonds, Series A, dated March 1, 1922, and due March 1, 1947, amounting to \$7,500,000. This sale was completed prior to the date of this report and the proceeds therefrom were used to pay \$1,145,000 First Mortgage Bonds of the Canton-Akron Railway Company which matured March 1, 1922; to retire by redemption the entire issue of Six Year 7% Notes due June 1, 1926, amounting to \$2,454,200; the 8% Serial Car Trust Notes amounting to \$700,000; and 6% Serial Car Trust Notes amounting to \$50,032; to pay the entire floating indebtedness; and to acquire and cancel \$721,700 of Seven Year 6% Notes due June 1, 1926.

The financing just completed in 1922 is mentioned in this report because of its importance and because it leaves the Company with no floating indebtedness of any kind except current accounts payable not due.

PENSION DEPARTMENT

This department had on hand December 31, a total of \$45,011.10 in cash and investments—an increase of \$2,644.42 over 1920. During the year six em-

ployees were granted pensions and two died. A total of fifty-one persons who formerly served your Company were participating in the pension benefits at the close of the year.

GENERAL

In common with other important industrial centers, the communities in northern Ohio suffered from the irregular business adjustment and liquidation which has taken place during the past year. These conditions naturally slackened the demand for service rendered by your Company and despite a rigid policy of economy and retrenchment, operating expenses continued to absorb an abnormal proportion of gross earnings. Happily during the latter part of 1921 general business conditions began to slowly improve. If this condition continues it can not help but improve your Company's earnings position.

The management of your Company is still negotiating with the City of Akron for a street railway franchise in lieu of the present franchise which expires in 1924. No final agreement has as yet been reached. Progress is being made, however, and as the settlement of this matter will be of benefit to the City as well as the Company, it is hoped that a plan acceptable to both parties will soon be agreed upon.

The books of account, vouchers, cash, etc., of the Company have been examined and verified by Messrs. Haskins & Sells, Certified Public Accountants. Their Certificate of Audit is attached, together with Income Statement for 1921 and Balance Sheet, showing financial condition of the Company as of December 31, 1921.

By order of the Board of Directors,

B. C. COBB,
President.

NEW YORK
CHICAGO
PHILADELPHIA
DETROIT
CLEVELAND
SAINT LOUIS
BOSTON
BALTIMORE
PITTSBURGH
SAN FRANCISCO
LOS ANGELES
BUFFALO
CINCINNATI
NEW ORLEANS

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

CABLE ADDRESS "HASKSELLS"

WILLIAMSON BUILDING
CLEVELAND

KANSAS CITY
SEATTLE
PORTLAND
DENVER
ATLANTA
DALLAS
SALT LAKE CITY
TULSA
WATERTOWN
LONDON
PARIS
HAVANA
SHANGHAI

April 1, 1922.

*To the Stockholders of**The Northern Ohio Traction & Light Company:*

We have audited the books and accounts of The Northern Ohio Traction & Light Company for the year ended December 31, 1921, and for several years prior thereto, and

WE HEREBY CERTIFY that, in our opinion, the accompanying General Balance Sheet and Summary of Income and Profit & Loss correctly exhibit, respectively, the financial condition at December 31, 1921, and the result of operations for the year ended that date.

HASKINS & SELLS.

GENERAL BALANCE SHEET

December 31, 1921



ASSETS

PLANT, PROPERTY, AND EQUIPMENT	\$37,805,862.34
CASH DEPOSITED WITH TRUSTEE IN LIEU OF MORTGAGED PROPERTY SOLD	4,300.00
INVESTMENTS IN CAPITAL STOCK OF, AND ADVANCES TO, AFFILIATED AND OTHER CORPORATIONS	225,149.62

CURRENT ASSETS:

Cash:

General Account	\$ 181,836.45
On deposit with trustee to pay matured bond interest (See contra)	88,660.00
On deposit to pay dividends on preferred capital stock (See contra)	88,683.25
Notes receivable	29,186.55
Working funds of agents, conductors, and other employes	34,593.68

Accounts Receivable:

Balance due on contract covering sale of real estate and building	225,000.00
Electric light, power, and sundry accounts	\$547,113.51
Less Reserve for doubtful accounts	60,000.00
Materials and supplies	487,113.51
	<u>1,025,461.13</u>

Total current assets 2,160,534.57

DUE FROM SUBSCRIBERS FOR CAPITAL STOCK:

Preferred	\$ 161,939.21
Common	899,900.00

Total due from subscribers for capital stock 1,061,839.21

UNADJUSTED DEBITS:

Prepaid insurance, interest, taxes, etc.	\$ 118,047.87
Debt discount and expense—being amortized	964,568.11

Total unadjusted debits 1,082,615.98

TOTAL \$42,340,301.72

GENERAL BALANCE SHEET

December 31, 1921



LIABILITIES

PREFERRED CAPITAL STOCK, 6%, CUMULATIVE—SHARES, \$100.00 EACH:	
Issued	\$ 4,936,500.00
Less deposited as collateral to long term notes, notes payable, and in treasury	237,500.00
Remainder—In hands of public	\$ 4,699,000.00
PREFERRED CAPITAL STOCK, 7%, CUMULATIVE—SHARES, \$100.00 EACH:	
Issued	\$ 1,055,700.00
Subscribed for, not issued	206,400.00
Total preferred capital stock, 7%, cumulative	1,262,100.00
COMMON CAPITAL STOCK—SHARES, \$100.00 EACH:	
Issued and outstanding—90,001 shares	\$ 9,000,100.00
Subscribed for, not issued—9,999 shares	999,900.00
Total common capital stock	10,000,000.00
*MORTGAGE, BONDED, AND SECURED DEBT:	
Mortgage bonds	\$10,316,000.00
Secured, seven year, 6%, bonds	4,721,700.00
Secured, six year, 7%, bonds	2,454,200.00
Car trust bonds	800,000.00
Car trust notes	60,471.76
Long term notes, due, 1928	750,000.00
Total mortgage, bonded, and secured debt	19,102,371.76
CURRENT LIABILITIES:	
Audited accounts payable	\$ 776,317.25
Salaries and wages payable	110,732.72
Bond interest payable (See contra)	88,660.00
Dividends on preferred capital stock (See contra)	88,683.25
Notes payable	888,510.45
Notes and accounts payable to affiliated companies	630,542.26
Sundry creditors	63,510.26
Accrued Accounts:	
Interest on mortgage, bonded, and secured debt	191,591.29
Interest on notes and accounts payable	17,500.58
Water rent	1,327.02
Paving assessments	160,512.78
Taxes—Real and personal	222,305.78
Total current liabilities	3,240,193.64
CONSUMERS DEPOSITS	119,623.43
RESERVES:	
Depreciation of plant, property, and equipment	\$ 3,146,580.10
Injuries and damages	20,868.32
Contingencies	10,440.00
Total reserves	3,177,888.42
PREMIUM ON PREFERRED CAPITAL STOCK	38,460.00
SURPLUS, DECEMBER 31, 1921	700,664.47
TOTAL	\$42,340,301.72

* See Page 13 for details.

NOTE:—No provision is included above for Federal Income Taxes accrued during the year ended December 31, 1921, for the reason that the return will be consolidated with those of other affiliated companies, and the Company's officers estimate that no tax will be due.

SUMMARY OF INCOME AND PROFIT & LOSS

For the Year Ended December 31, 1921



GROSS EARNINGS	\$8,591,295.26
OPERATING EXPENSES AND TAXES, EXCLUSIVE OF DEPRECIATION	6,485,951.86
NET EARNINGS	<u>\$2,105,343.40</u>
INCOME CHARGES:	
Interest on mortgage, bonded, and secured debt, notes payable, etc.	\$1,197,529.11
Amortization of debt discount and expense	128,144.10
Total	<u>1,325,673.21</u>
NET INCOME	\$ 779,670.19
SURPLUS, JANUARY 1, 1921	863,013.37
PROFIT & LOSS CREDIT—MISCELLANEOUS	2,310.00
GROSS SURPLUS	<u>\$1,644,993.56</u>
PROFIT & LOSS CHARGES:	
Dividends on preferred capital stock	\$ 336,892.57
Dividends on common capital stock	159,251.58
Provision for depreciation of plant, property and equipment	350,000.00
Loss on sales of obsolete materials from stores	22,955.26
Reservation for doubtful accounts	60,000.00
Federal Income Tax paid in 1921 on profit from sale of real estate and building in 1920	15,229.68
Total	<u>944,329.09</u>
SURPLUS, DECEMBER 31, 1921	<u><u>\$ 700,664.47</u></u>

MORTGAGE, BONDED AND SECURED DEBT

Outstanding, December 31, 1921

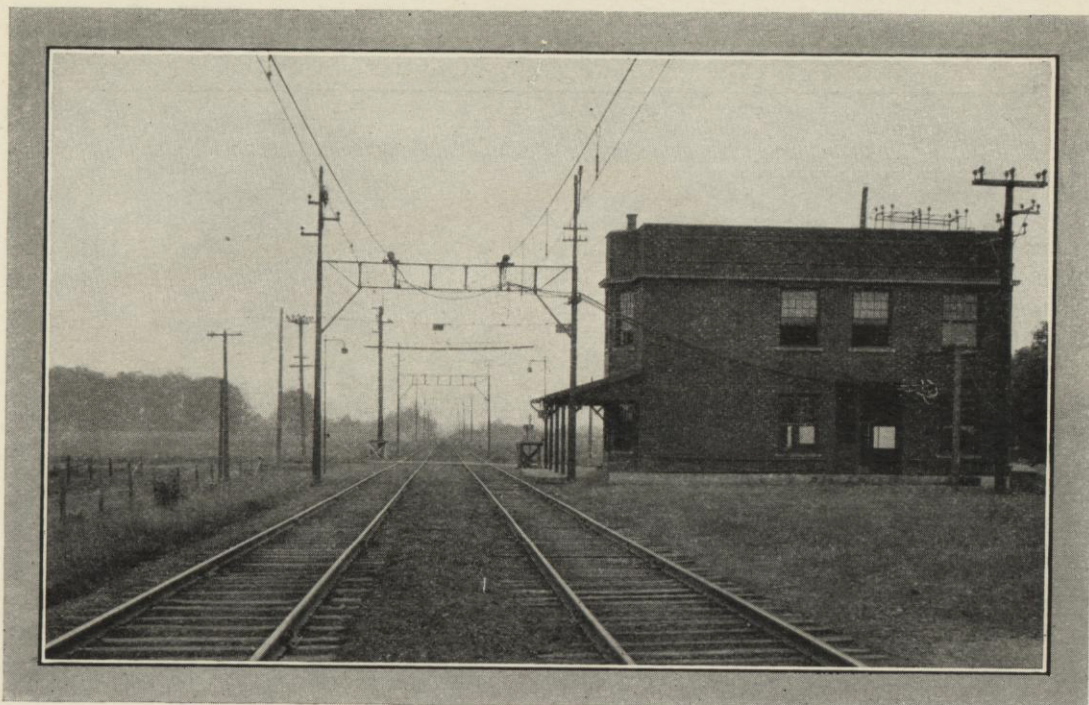


*The Northern Ohio Traction & Light Co., 1st Consolidated Mortgage 5% Bonds due Jan. 1, 1933	\$ 996,000.00
*The Northern Ohio Traction & Light Co., 1st Consolidated Mortgage 4% Bonds due Jan. 1, 1933	2,223,000.00
The Canton-Akron Railway Co., First Mortgage 5% Bonds due Mar. 1, 1922	1,145,000.00
The Canton-New Philadelphia Railway Co., First Mortgage 5% Bonds due Feb. 1, 1923	564,000.00
The Canton-Akron Consolidated Railway Co., Gen'l Consolidated Mortgage 5% Bonds due Jan. 1, 1933	772,000.00
The Northern Ohio Traction & Light Co., First Lien & Refunding Mortgage 5% Bonds due Aug. 1, 1936	4,616,000.00
†The Northern Ohio Traction & Light Co., Seven Year Secured 6% Notes due June 1, 1926	4,721,700.00
‡The Northern Ohio Traction & Light Co., Six Year Secured 7% Notes due June 1, 1926	2,454,200.00
Car Trust Bonds—Serial 8%	800,000.00
Car Trust Notes—Serial 6%	60,471.76
B. F. Goodrich Company, Secured 7¼% Notes due Dec. 1, 1928	750,000.00
	\$19,102,371.76

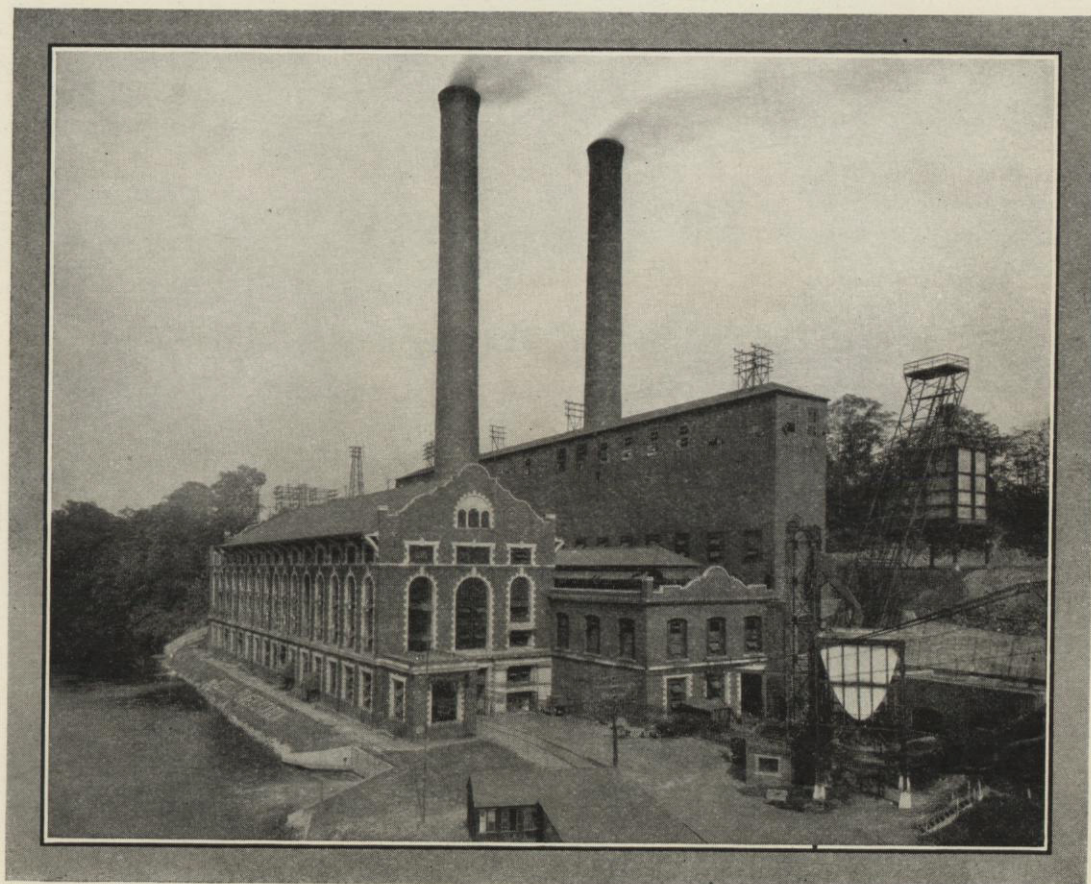
*These bonds are secured by the same mortgage and have the same lien on the property.

†Secured by \$5,903,000.00 of The Northern Ohio Traction & Light Co. First Lien & Refunding Mortgage 5% Bonds pledged as collateral.

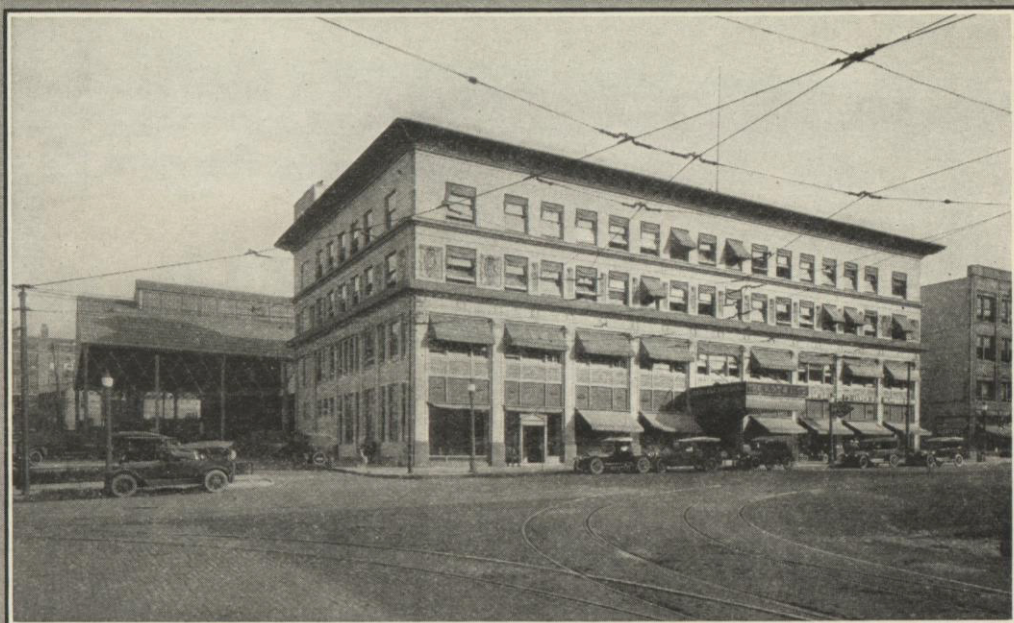
‡Secured by \$3,165,500.00 of The Northern Ohio Traction & Light Co. First Lien & Refunding Mortgage 5% Bonds pledged as collateral.



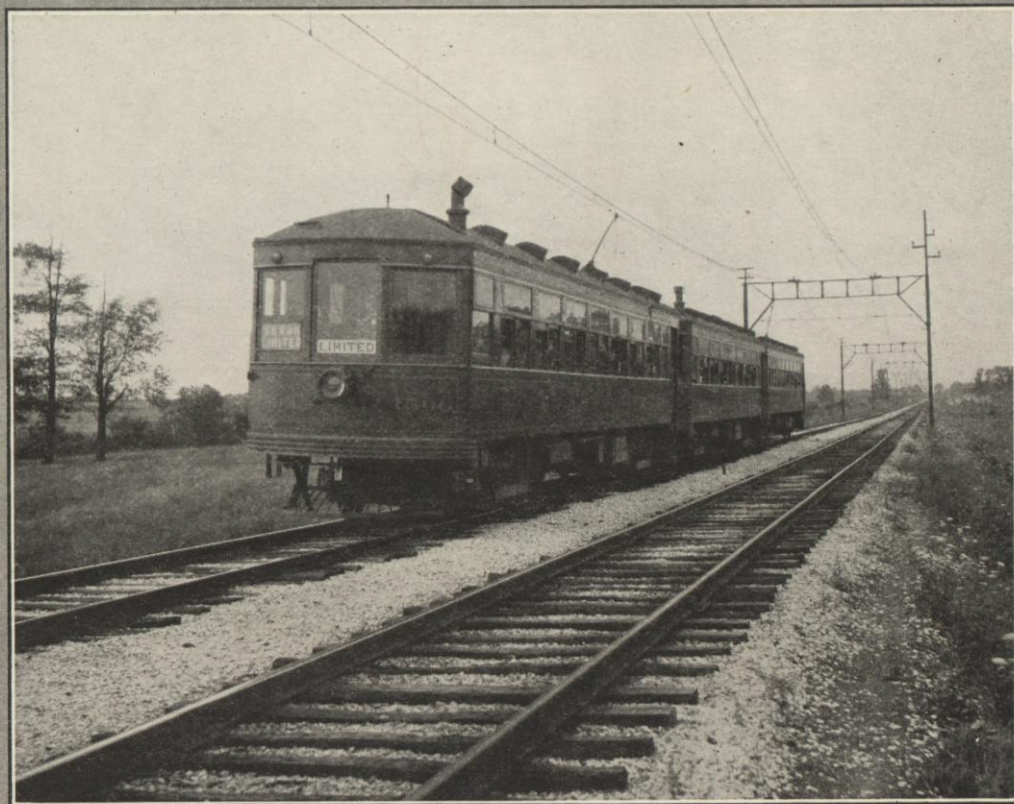
Interurban Right-of-Way and Sub-Station—Macedonia, Ohio



Gorge Power House—Akron, Ohio



Terminal Station and Company's Offices—Akron, Ohio



Cleveland-Akron Three-Car Interurban Limited Train

